

MEMORANDUM

12 April 1948

25X1A

TO:

[REDACTED]
Contracting Officer[REDACTED]
Assistant General Counsel[REDACTED]
Chief, Communications Division

FROM:

Chief, SFD

SUBJECT:

Reference is made to Contract PSC-51-DNV, between this Organization and [REDACTED] which was entered into on the 18th day of June 1947. Article 2 (d) (3) specifies that an allowance for overhead costs, not otherwise reimbursable under the contract, will be allowed in amount equal to 100% of the total salaries and wages (but not taxes) reimbursable under sub-paragraph 1 (salaries and wages). It appears that our Organization has contracts with various research associations all of which include primarily the same overhead clause. Our Audit Section in the past has considered the 100% overhead gross on a monthly accounting basis, which would not allow the contractor to exceed 100% of total salaries and wages less taxes in any given month.

The most recent billing received, claiming reimbursement under the above mentioned contract, has claims in excess of 100% overhead. However, their previous billings have been approximately only 70%. It is believed that the increased overhead appearing on their most recent billing is due to an addition to their laboratory facilities which was authorized by the Contracting Officer, CIA and paid for by our Organization. After reviewing this billing and comparing same with the contract it is believed that the overhead clause contained in our form contract does not necessarily mean to penalize the contractor by compelling him to keep his overhead costs under 100% for each month's billing. In view of this, we suggest adopting the theory that a contract is intended to mean not in excess of 100% of total salaries and wages less taxes on an overall contractual basis rather than a monthly accounting basis.

If you are in agreement with the proposed procedure for auditing experimental or research contracts, please indicate by concurring in the space provided below.

25X1A



CONCURRENCE:

25X1A



Contracting Officer

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Assistant General Counsel

25X1A



Chief, Communications Div.

25X1A

cc:

